



August 8, 2023

The Honorable Elizabeth Warren
United States Senate
SH-309 Hart Office Building
Washington, DC 20510

The Honorable Richard Blumenthal
United States Senate
SH-706 Hart Office Building
Washington, DC 20510

The Honorable Chris Van Hollen
United States Senate
SH-730 Hart Office Building
Washington, DC 20510

The Honorable Edward J. Markey
United States Senate
SD-255 Dirksen Office Building
Washington, DC 20510

The Honorable Sherrod Brown
United States Senate
SH-503 Hart Office Building
Washington, DC 20510

The Honorable Robert Menendez
United States Senate
SH-528 Hart Office Building
Washington, DC 20510



Dear Senators Elizabeth Warren, Richard Blumenthal, Chris Van Hollen, Edward J. Markey, Sherrod Brown, and Robert Menendez:

The Higher Education Loan Authority of the State of Missouri (MOHELA), writes in response to the correspondence of the United States Senators dated July 18, 2023. The letter requests MOHELA's plans to support the federal student loan borrowers who are scheduled to resume repayment of their loans on August 30, 2023. We understand you are concerned by reports indicating that servicers are laying off employees and may be understaffed for the deluge of borrower communication, and now request updated information regarding MOHELA's transition plans and staffing projections.

First, we understand the importance of your request and your interest in MOHELA's operations as a contract servicer to the Department of Education. The transition of millions of student loan borrowers entering into repayment simultaneously is something unique in history, and as a nonprofit state instrumentality, MOHELA is keenly aware of our mission to assist student loan borrowers, particularly during this difficult time. MOHELA staff has been preparing for the opportunity to assist borrowers





during this transition, including preparing and implementing new key contract terms and associated change requests issued by Federal Student Aid (“FSA”).

While funding and staffing are challenging in any situation where there is a sudden surge in demand, MOHELA as a servicer has not reduced its support or staff. In fact, our staffing has increased substantially over the last year, as we have added new work-from-home and in-office positions, most of which have been filled by experienced industry personnel from other servicers who have ended their work with FSA. We are making significant efforts to have capable members of staff available to ensure customers receive the right answers to their questions.

While we also agree that sufficient means in order to satisfy this need are required, MOHELA is a federal contractor, paid a static fee for servicing via steady-state agreement. New directives for the evolving loan administration plans continue to arrive, and MOHELA must adhere to this guidance in its administration of this FSA programming, but additional funds are limited to what we are allocated for this unprecedented turn of events, including the 12-month on-ramp period. While we continue to provide various self-service options and work to ensure as many as possible customer service representatives are ready and able to answer borrowers’ inquiries, we are limited in the funding available. Unfortunately, we are anticipating extended wait times and servicing delays as a result.

As requested, below please find MOHELA’s responses to your questions:

1) How many student loan borrowers does your company currently service?

As of 8/3/23, 7,773,939.

a) How many student borrowers did your company service in February 1, 2020?

2,464,028.

b) How many student borrowers do you service now that you did not service in February 1, 2020 (either because the accounts were transferred to you or because the accounts are new)?

As of 8/3/23, 5,309,911.

c) How many borrowers do you anticipate you will be servicing by October 1, 2023?

7,762,516.

2) How many borrowers have contacted you since June 1, 2023?

MOHELA’s reporting reflects the last 90 days; via phone and web going back the last 90 days from 7/26/2023, we were contacted by a total of 362,441 borrowers.

3) What percentage of your customer service representatives are new hires without prior experience working with federal student loan borrowers or the federal student loan system?

During the period 7/1/2022-6/30/2023, under 30% of new hires are without previous experience working with federal student loan borrowers or within the student loan industry. All new hires, regardless of past employment experience, are required to undergo detailed training prior to being released into the role of customer service representative.

4) What percentage of your new hires have completed the required background checks and obtained the necessary security clearances to start servicing borrowers accounts by October 1, 2023?



In order to provide service to borrowers, all new hires are required to have security clearance prior to working directly with customers or having access to the federal account information. Over 90% of the current MOHELA customer service representative new hires have received the necessary Public Trust security clearances to start servicing borrowers by October 2023. The new hires without clearance are in early stages of training and do not service MOHELA borrower accounts until security clearance is granted.

5) Please describe the training you are providing to customer service staff to ensure borrowers receive accurate and timely information about their loans.

MOHELA's training program for customer service staff is multi-phased. When someone is hired for the role of CSR, they participate in training by the study, engagement, and testing of information presented in module form, prior to being released to actively take calls. The modules contain education, scripting and other guidance, reference information, program details, and more. MOHELA's Reference Librarian updates the various resources, in accordance with the most recent change requests from FSA (e.g., return-to-repayment deadlines, REPAYE to SAVE changes, IDR program availability). This ensures that the most up-to-date information is being communicated to CSRs and is always available for review and study. Communications related to updates on specific topics are disseminated via e-mail to all staff, then reviewed in team meetings and training sessions, and are incorporated into the MOHELA knowledgebase via OneNote.

After release from training to the Contact Center, education continues via training sessions, each referred to internally as a "Training Track" for training certified Customer Service Representatives. Training Tracks are discussed in a team setting led by supervisors and are designed to provide CSRs with the knowledge and skills to aid in their interactions with callers in preparation for return-to-repayment. Each Training Track is presented in the form of a PowerPoint presentation and shared on screen with the CSRs, as supervisors ask questions to check for understanding, as well as discussion. The Training Tracks are regularly evaluated to position hot-button items, such as those related to recent program changes or specific borrower concerns. After each training session, the PowerPoint slides and any additional materials are distributed to each CSR to access in case further study is needed.

Training at MOHELA is constantly evolving as CSRs assist borrowers at all various stages of repayment, especially on return-to-repayment scenarios. Some borrowers have steadily paid their loans over the last few years, while others have never logged into their MOHELA online accounts. MOHELA's CSRs are trained and prepared to discuss all available options with borrowers, to aid them in finding a solution to meet their needs.

6) How many complaints have you received from borrowers in the last year?

From 7/1/2022 through 6/30/2023, the number of complaints totaled 36,309 for the Direct Loan and Public Service Loan Forgiveness programs.

Of note, MOHELA became the PSLF servicer beginning 7/1/2022 during the last 4 months of the PSLF limited waiver period. During the PSLF waiver period, MOHELA received an unprecedented volume of forms. MOHELA and FSA collaborated to determine the number of business days to communicate to customers for processing times. It was determined that at least 90 business days was acceptable due to the PSLF volume, meaning that although there is no set SLA or written expectation from FSA for processing times, it was agreed that the communication to customers was to please allow at least 90-business days for their form to be processed before calling in to request an escalation.





This timeframe does not include forms placed in a Hold status due to pending consolidations from other servicers or awaiting employer review, which MOHELA does not adjudicate. Once MOHELA worked through the unprecedented volume, the estimated processing time was changed from at least 90 business days down to at least 30 business days, effective 4/02/23.

a) How many of those complaints were resolved to the borrower's satisfaction?

While we cannot provide data reflecting "resolved to the borrower's satisfaction," the number of complaints resolved were 32,489 as of June 30, 2023. The unresolved cases represent primarily the FDMS backlog, followed by FSA Referrals, which are generally complicated and require a significant amount of time to resolve.

7) What is the current average call wait time for borrowers trying to get in touch with your company?

In the most recent month, July 2023, 1 minute and 43 seconds.

8) What is the current average written communication wait time for borrowers trying to get in touch with your company?

Our average written communications wait time is approximately 3-4 business days for email response and 3-5 business days for letter response.

9) For each of the following months, what is your projected average and maximum call and written communication wait times? a) August b) September c) October

Per our contract with FSA, we do not have a Service Level Agreement (SLA) of speed of answer. Our contracted SLA is related to Abandon rate. We forecast based on that percentage rate. As a result, we cannot currently provide projected average and maximum call wait times.

10) How many staff did your company have in February 1, 2020?

483.

11) Do you have adequate staff for the expected volume of communication? If not, how many additional staff do you need to hire and train before October 1, 2023?

As a federal contractor for the US Department of Education, Office of Federal Student Aid (FSA), MOHELA is commissioned to help customers successfully manage their federal student loans in a steady-state environment. The US Department of Education owns the federal student loans MOHELA services under its contract with FSA, and FSA administers the loan programs. As such, FSA plays an outsized role in dictating how the loans are serviced. We currently have 474 released customer service representatives (CSRs), with another 606 in various stages of training. MOHELA had projected a need for a total of 1,177, so we are 97 away as of now. However, we also know there will be attrition, which is why MOHELA is also scheduled to hire another 313 minimum CSRs.

That said, in servicing these loans for FSA, MOHELA is paid a static fee per account status as of the end of each month. Due to budgetary constraints, FSA has reduced certain fees paid to MOHELA and has not indicated an investment in resources beyond what is currently delineated in the contract. As noted, MOHELA has been monitoring incoming volumes of communication and forecasting staffing needs, providing this to FSA monthly with the expectation of staffing for a steady-state environment, and have been providing opportunities for overtime within our means, as necessary. Circumstances and FSA's demands have been rapidly changing, largely on the basis of litigation results and subsequent departmental reactions to these. The resulting compliance concerns and operational adaptation to these





varied and free-flowing changes, not to mention meeting increased report and documentation production requests, have required first highly qualified staff assessments of appropriate compliance processes and operational changes, and second, meant an increasingly lengthy and higher level of training for CSRs. Both of these have utilized substantial additional financial resources.

We are now facing a return-to-repayment set to bring an unprecedented surge in activity in the near future, one which is expected to last well into 2024. Due to its temporary and extreme nature, implementation of the return-to-repayment process cannot be considered a steady-state environment. While MOHELA is regularly assessing the situation, were MOHELA to move forward with further expanded staffing at its own expense, especially given the wildly fluctuating demands on our staff, the added personnel would threaten MOHELA's financial stability. Unfortunately, the immediacy of return-to-repayment amid ever-increasing changes to the contract administration requirements and expanded training needs, combined with the lack of sufficient funding from FSA, mean extensive servicing delays are a likely outcome.

Nonetheless, MOHELA plans to increase self-service opportunities to promote borrowers moving forward in the repayment and forgiveness processes. For example, our Interactive Voice Response (IVR) system recommends borrowers visit our website for a self-certification option for Income Driven Plans. As common call reasons are learned, we will place further messaging in the IVR to mitigate and divert callers waiting for CSR that could self-serve instead. If there are several commonly asked questions, we will consider implementing these as FAQs in the IVR, and also add these to the website. Additional messaging in outbound correspondence, the IVR, and web also promote the use of self-service/ease of access.

As a standard, during call center hours of operation, when a caller enters into a queue to speak with a CSR, the IVR provides the estimated wait time is if there is a queue over one minute. After certain queue time, rather than waiting on hold (in queue), callers will have the option to request a "call back," if a call back can be performed before close of business. Choosing to receive a call back virtually holds the caller's place in line, and the next available agent will contact them at that point in time. During peak volume times the contact center anticipates it will offer overtime for hourly staff in addition to evaluate CSR schedules for optimal coverage.

Additionally, MOHELA will offer the following website features to assist borrowers with return to repayment topics and promote self-service:

- Chat, currently available to borrowers behind the login when inbound call service levels meet expectations
- Current banner in front of login advising borrowers of the Income-Driven Repayment plan adjustment and to visit StudentAid.gov for more information
- Current banner in front of login advising the end of the payment pause and 0% interest including information regarding payments beginning in October
- Account alerts, both via web and mobile app
- Promotion of IDR and to married filing jointly borrowers regarding self-certification and self-service on mohela.com
- For all borrowers, including those not serviced by MOHELA, links to sites allowing them to check their PSLF status

12) Which methods of borrower communication have had the best response rates?





Unfortunately, we do not have this information. With external communications from the White House, Department of Education, FSA, Social Media, Webinars, news, etc. also driving responses, we cannot isolate which method has the best response rate. In addition, MOHELA's communication is expected to complement the communication performed by FSA, and additional/non-required communication is outside of our contract requirements. However, MOHELA reposts FSA social media, applies prescribed FSA website banner messages, provides to its customer service representative the Q&A provided as provided by FSA to respond to customer inquiries, and has developed a communication playbook as approved by FSA which anticipates performing outbound communication within its means.

13) What services do you currently use to identify a borrower's correct current contact information?

MOHELA adheres to regulatory requirements to compile valid contact information for borrower addresses and phone numbers. FSA Change Request 2279 clarified that federal servicers at a minimum shall follow the guidance provided in FFEL regulations, specifically 34 CRR 682.411, for due diligence efforts where Direct Lending is silent. This includes, but is not limited to, delinquency, final demand, skip-tracing, and collection activities. MOHELA follows the multi-tiered approach detailed within 34 CFR 682.411, which is initiated if the primary address is determined to be invalid for the borrower or co-borrower. Skip-tracing may also commence if the primary phone number on file is determined to be invalid and the borrower's account is delinquent. Our system of record is programmed to automatically initiate outreach or actions to take depending upon how long the borrower remains in the skip process. A small portion of skip-tracing is handled manually by utilizing the Lexis/Nexis Accurint search tool. Throughout this process, MOHELA utilizes postal software to obtain address changes submitted to the United States Postal Service (USPS). Addresses are updated automatically via Address Change Service (ACS) and quarterly database scrubs are completed against National Change of Address (NCOA). Furthermore, MOHELA processes all physical return mail not captured via ACS or NCOA scrub.

14) For how many borrowers do you have confirmed contact information – either by phone, email, or U.S. Postal Service?

MOHELA has 7,754,173 borrowers with a valid USPS address. Of these, only 69,924 do not currently have a valid phone number, with only 336,653 without a valid email. However, we are not making outbound contacts until the end of COVID emergency restrictions, and so these numbers are likely to change as these numbers and emails are utilized.

a) How many of these borrowers have you successfully contacted using these methods?

We emailed approximately 4 million customers in May and approximately 804 thousand borrowers from the end of July-beginning of August.

How do you confirm contacts?

Either speaking with the borrower on the phone, the borrower successfully logging into mohela.com, or emailing them and not receiving a bounce back. Voicemail/answering machine is not considered a contact for purposes of this count.

b) How many borrowers have not responded to any of your outreach to date?

With so many different outreach attempts from a variety of groups, it makes it difficult to establish which outreach produced a borrower contact. Borrowers may call in after getting communication from MOHELA, Federal Student Aid, the Department of Education, the White House, or seeing information in the news or on social media. However, we do track and report the number of borrowers that contact us by phone or web within the last 90 days. That would be a total of 362,441 borrowers. In addition to external





outreach sources, MOHELA will begin sending required communications as we get closer to repayment. For instance, we will send disclosure notifications to borrowers regarding the automatic recalculation of the existing REPAYE plan to the new SAVE plan, monthly billing statements beginning in September and October, and notification as IDR Forgiveness is completed. As borrowers anxiously await approval for additional forgiveness approvals from FSA for IDR, PSLF or other program, borrowers will likely attempt contact through one or multiple communication methods.

15) How many borrowers have been transferred to your company, and how many of them have affirmatively set up an account with your company since February 1, 2020?

4,241,490 transferred in. 2,623,655 have set up an account.

16) What steps have you taken to audit borrower accounts to detect missing or inaccurate information?

MOHELA uses a secure process to ensure borrowers' data remains private, and do not wish to provide the specific details of this in a public letter, but would be happy to work directly with the Senate to provide any required information in a manner that does not disclose or potentially diminish those borrower protections.

Broadly, MOHELA adheres to the transfer file process required by FSA to exchange servicer data. We proactively house internal controls with checks and balances to support the transfer and import process. These internal controls are designed to track the transfer data, utilizing an index file to keep track of all the incoming documents and used to identify missing documents. If any borrower is missing servicing history, MOHELA will obtain the servicing history from the sender to request these documents. The system also performs validation checks to identify any errors in the data. When errors are identified, updates are made on a borrowers account at a loan level. If missing data is identified, MOHELA reaches out to the sending servicer to obtain the needed information and correct the loan prior to release.

Has your approach differed for borrower accounts that were transferred to you after February 1, 2020?

No, however, additional information was received solely related to loans transferred that included PSLF information, and FSA also established a Vendor Oversight Group file exchange for FSA to validate data moving from one servicer to another.

17) Describe the outreach you are conducting to alert borrowers about return to repayment and how you plan to advise borrowers about guidance regarding the President's student loan system reforms.

See the attached MOHELA-FSA return to repayment communications plan.

18) How are you determining borrowers' payment amounts and schedules under various payment plans in advance of October 1, 2023?

All of these are driven by the required payment plan calculations under regulatory requirements. The system of record calculates the appropriate payment amount and the calculations are embedded in the system of record to comply for the particular plan for any Income Driven plans or Standard Repayment (Standard, Graduated, etc.) plans. Borrowers have the opportunity to submit a request for various plan options. For Income Driven plans, values and figures such as AGI, Family Size, external student loan debt, and tax filing are taken into consideration. For Standard Repayment plans, loan debt and the remaining term are examples of values that are reviewed.





The newest plan, SAVE (Saving on a Valuable Education), will automatically recalculate the borrower's active REPAYE schedule, with a payment amount greater than \$0, into the new SAVE plan. The borrower's anniversary date for recertification of their IDR plan will be maintained. Borrowers will receive a greater benefit from the SAVE plan requirements which, in turn, are expected to equal a lower monthly payment amount.

We appreciate the opportunity to provide your offices with the facts necessary to make informed decisions regarding student loan servicing and our work, and thank you for your questions. If you or your office staff have any additional needs regarding our company, its role as a servicer, or about the student loan process, please do not hesitate to contact MOHELA. We are happy to assist while you are carrying out the critical role you perform in the government process.

Sincerely,

MOHELA
The Higher Education Loan Authority of the State of Missouri

